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October 4, 2002

Donald S. Clark
Office of the Secretary
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, DC 20580

Re: Public Workshop: Possible Anticompetitive Efforts to Restrict Competition on the Internet- Comments Regarding Competition

Dear Mr. Clark:

Thank you for inviting me to participate in the Internet commerce workshop you are conducting on October 8-10, 2002. Although I will not be able to attend, I write to offer my observations on the issue of appropriate and necessary regulation of on-line business practices. Please make my comments a part of the FTC's record so that the FTC can consider these views for purposes of its report on this issue.

Any proposed federal regulation of the Internet, especially actions designed to further competition, should not preempt or otherwise limit the ability of states to enact and enforce reasonable legislation or regulations to protect their citizens. Commerce over the Internet offers consumers extraordinary and convenient access to an unprecedented range of goods and services, often on competitive terms. But the Internet also provides certain unscrupulous businesses and individuals with unprecedented opportunities to commit acts and practices that can compromise the health, safety, and financial well-being of our citizens on a massive scale. Diligent enforcement of laws designed to enhance fair dealing between merchants and consumers, and a safe commercial environment, also promotes healthy competition. And the states have historically been at the forefront in preserving both a competitive and a safe commercial marketplace.

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I know, from my own enforcement experience over the last several years, of the potential dangers to both competition and to consumers from unchecked commercial activity over the Internet. That experience has only reinforced my belief in the need for reasonable regulation of this activity, often at the state level. For example, I know that certain on-line purveyors of wine and other alcohol products sell to underage drinkers. I know that businesses continue to sell cigarettes to children over the Internet, while also circumventing their excise tax obligations. Weapons and fireworks, for good reasons illegal in many states, are easily bought on-line by anyone, anywhere. On-line auction sites have been used to defraud consumers out of thousands of dollars. And some have used valuable personal information they have obtained from consumers over the Internet for their own commercial gain. State laws and state enforcement designed to address these abuses have little or no chilling effect on competition – in fact, an on-line marketplace that offers consumers and legitimate businesses protection from such practices will only enhance competition and commercial potential of the Internet.

For these reasons, I maintain that the states serve a crucial role in protecting competition and consumers operating over the Internet, just as they do in all other areas of commerce. Reasonable state laws and enforcement, in conjunction with federal laws and agencies like the FTC, are necessary to ensure this protection. Therefore, I strongly urge that the FTC, in considering this subject, recognize and acknowledge the important role the states have in this area.

Sincerely,

Thomas F. Reilly
Attorney General